

## Water Risks Disclosure

### WHEREAS:

Increasingly, investors are requesting improved disclosure by companies on how they assess, manage and mitigate the risks and opportunities associated with water in order to protect long-term shareholder value.

Food and beverage companies, such as Flowers Foods, face several significant challenges related to water, for example:

- The World Economic Forum predicts a 40 percent shortfall between global water demand and available supply by 2030;
- The Food and Agriculture Organization estimates that agriculture accounts for 70 percent of freshwater withdrawals, globally;
- The Environmental Protection Agency indicates agricultural water pollution is currently the leading cause of impaired waterways;
- 2015 NASA satellite data shows thirteen of the world's 37 largest aquifers have been depleted to the point where regional water availability is threatened;
- The United Nations Sustainable Development Goals, adopted in 2015, call for substantial increases in water-use efficiency across all sectors to ensure sufficient supplies of clean water;
- And, California, the world's 8<sup>th</sup> largest economy, experienced its fourth year of crippling drought in 2015.

Furthermore, unpredictable weather patterns, population growth and increasing agricultural and industrial demands are expected to exacerbate regional water scarcity, posing significant financial, reputational, and regulatory risks for food producers.

Flowers Foods is exposed to fluctuations in water availability and costs. The Water Footprint Network estimates that it takes 1,300 liters of water to produce just one kilogram of wheat bread, including the water used to grow crops and operate facilities. Flowers Foods has bakeries and warehouses in 37 states, several of which currently face issues of draught, water scarcity, or water pollution.

CDP Water provides a comprehensive framework for companies to analyze and report on water risks in both their own operations and throughout their supply chains. Launched in 2010, CDP Water now represents 617 investors with institutional investors globally with approximately \$63 trillion in assets. 1226 companies currently disclose information through CDP Water, including sector peers, such as Campbell Soup Company.

Flowers Foods, on the other hand, has lagged behind its peers by declining to answer any CDP questionnaire since 2013. Overall, the company currently provides very limited information to investors describing the company's policies, performance, and targets related to key water risks.

**RESOLVED:** Shareholders request that Flowers Foods issue a public report within the 2016 calendar year (at a reasonable cost and omitting proprietary information) assessing water related risks and impact on both direct operations and key suppliers, and planned actions to mitigate the risks and impacts to long-term shareholder value and the environment.

**SUPPORTING STATEMENT:**

Shareholders recommend that Flowers Foods provide such disclosure through the 2016 CDP Water Questionnaire. In August, more than 60 leading North American and European institutional investors collectively managing \$2.6 trillion in assets sent joint letters to 15 food and beverage companies, including Flowers Foods, calling for increased water risk management and disclosure practices through CDP Water. Flowers Foods has not yet committed to respond to CDP in the next reporting period.